



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 11/24/2004

**GAIN Report Number:** CI4035

## Chile

## Avocado

## Annual

## 2004

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**Report Highlights:**

Output and exports of avocados are expected to increase this year, as a result of more planted area coming into production together with stronger export demand.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Santiago [CI1]  
[CI]

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## Executive Summary

Chilean avocado production will continue to increase in the coming years as there are still a large number of hectares being planted and some of the newer orchards enter their most productive stage. Although the total area planted to avocados has increased significantly during the last few years' industry sources indicate that it is expected to level off in the new future. The increase in dedicated land use to avocados is principally the result of excellent gains made in export markets in the past. But as prices this season for the first time are falling together with an increase in competition from Mexico in key export markets like the US, a slowdown in the planting expansion is predicted.

## Production

Avocado production in MY2002 (Jan -Dec 2003) was revised upwards reflecting final numbers reported by the avocado producers association. Another significant expansion in production is expected for MY2003 (Jan-Dec 2004). Although it is early to predict MY2004 (Jan-Dec 2005) further expansion in production is expected as the planted area, which has grown significantly over the last few years as a result of excellent returns, comes into production. Weather also has been favorable during flowering in most producing areas. Future increases in planted area will be mainly in Hass varieties for the export market. Avocado production is sensitive to climactic conditions, particularly to low temperatures during flowering and temperature changes. Weather largely accounted for production variations in the past. Alternate bearing volumes also affect avocado trees after a high production year, normally a low production year follows.

Most Chilean avocado are produced in arid regions with little rain, except during the winter months, consequently most orchards are frequently free of pests and spraying is not necessary. Production area has expanded over 1,200 hectares per year during the last 4 years. Increases in planted land have been almost exclusively devoted to the Hass variety, which represents 75 percent of total production. However as a result of more precise information provided by the producers association, we have revised downwards the total planted area in year 2003.

Total area planted to avocados is expected to keep expanding in the coming years according to the Chilean avocado association, but at a much slower rate as prices for avocados for this production season fell significantly after many years of high prices. Export prices have fallen to US\$1.15 per Kg from US\$1.81 per Kg for the first 9 months, when compared to the same period last year. Additionally, the strong demand observed in the past in Chile's most important market, the United States, is expected to fall significantly once Mexican avocados gain access to all 50 States. Mexican avocados enter the US duty free.

A little over 98 percent of all Chilean commercial avocado trees are planted in the central area of the country - from Region IV through Region VI, including the Metropolitan Region. The predominant areas are Region V (Quillota, Aconcagua Valley and La Ligua, Petorca) with 61 percent of the total and the Metropolitan Region with 21 percent of the total. The largest expansion in planting during the last few years has been in Region V, followed by the Metropolitan Region and Region IV. Although almost all of the expansion has been dedicated to the Hass variety, there are over 20 other varieties planted.

## Consumption

In the past, most of Chile's avocado production was consumed domestically. With the introduction of the Hass variety, however, export markets were developed. Also, as a result of the large increases in output, more Hass avocados entered the domestic market.

Despite the recent increases in consumption, per capita domestic use is still considered to be fairly low for a producing country – around 3.5 Kg. per person. To increase domestic consumption, the Chilean avocado producers association has launched a promotional campaign that focuses on a nutrition and health message. An estimated 60 to 65 percent of production is normally exported, leaving the domestic market currently with approximately 52,000 MT.

Table – Chile: Avocado Planted Area, Production and Exports			
Years	Planted Area (Ha)	Production (MT)	Exports (MT)
1973	4,490	14,500	-
1980	6,180	25,000	12
1985	7,605	28,900	1,200
1990	8,315	38,800	11,557
1995	11,560	48,000	12,000
1998	18,307	86,500	44,514
1999	19,800	80,550	34,788
2000	21,202	95,000	52,049
2001	21,800	98,000	52,492
2002	22,900	129,000	78,071
2003	23,300	148,000	97,646
2004	24,500	170,000	118,500 1/
2005	24,900	200,000	136,200 2/
Note: 1/	Estimate		
2/	Forecasts		
Source: Ministry of Agriculture, Central Bank			

## Trade

The US market received 95 percent of Chile's total avocado exports in 2003. However exports to France and the United Kingdom increased significantly. Although export volumes to both countries combined do not exceed 10 percent, they almost doubled in 2004 when compared to the previous year. A decline in US production and an increase in demand, as a result of an aggressive promotion campaign mainly in California and Texas, contributed to the record export volumes. A bigger industry effort to diversify their markets also resulted in increased exports to other destinations.

As a result of the US-Chile FTA, Chile obtained a duty free quota of 49,000 M.T. beginning with CY2004, this quota will increase 5 percent yearly over the next 12 years until the quota is eliminated and Chilean avocados enter the US duty free.

Chilean avocado exports are highly dependent on the U.S. market. The California Avocado Commission's promotional campaign will continue this year.

### Policy

The Chilean Government has no subsidy or special tax incentives for avocado production or exports. Imports are charged a 6 percent uniform duty rate.

### Market Development

Although avocados from California State can enter the Chilean market, this country's rather large, year-around avocado production and low domestic prices tend to discourage commercial imports for all but a few months during the marketing year.

PSD Table							
Country	Chile						
Commodity	Avocados, Fresh				(HECTARES)(1000 TREES)(1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Planted	24800	23300	26100	24500	0	24900	(HECTARES)
Area Harvested	20860	19860	22380	20700	0	20900	(HECTARES)
Bearing Trees	8657	8242	9288	8591	0	8673	(1000 TREES)
Non-Bearing Trees	1635	1428	1544	1577	0	1660	(1000 TREES)
TOTAL No. Of Trees	10292	9670	10832	10168	0	10333	(1000 TREES)
Production	135000	148000	155000	170000	0	200000	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	135000	148000	155000	170000	0	200000	(1000 MT)
Exports	85000	97646	103000	118500	0	136200	(1000 MT)
Fresh Dom. Consumption	50000	50354	52000	51500	0	63800	(1000 MT)
Processing Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	135000	148000	155000	170000	0	200000	(1000 MT)

Export Trade Matrix			
Country	Chile		
Commodity	Avocados, Fresh		
Time Period	Jan- Dec	Units:	M.T.
Exports for:	2003		2004
U.S.	93069	U.S.	40497
Others		Others	
France	1900	Netherlands	1613
UK	1554	France	1447
Spain	419	UK	851
Argentina	410	Spain	783
Japan	169	Argentina	197
Netherlands	63	Japan	101
Sweden	41	Denmark	59
Belgium	21	Canada	35
Total for Others	4577		5086
Others not Listed	0		0
Grand Total	97646		45583